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UNCLAS BELGRADE 000026

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TAGS: [PGOV](#) [PREL](#) [PINR](#) [ECON](#) [ENRG](#) [SR](#)  
SUBJECT: SERBIA STILL DEALING WITH RUSSIA ON ENERGY

REFTEL: 07 BELGRADE 1700

SUMMARY  
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¶1. (SBU) In a January 4 meeting with Serbia's Energy Minister Aleksandar Popovic, the Charge emphasized U.S. concerns regarding potential nontransparent deals between Serbia and Russia's energy giant, Gazprom, and encouraged Serbia not to limit any future options for developing or supplying Serbia's energy market. Popovic said Serbia would continue to negotiate with Russia on a draft bilateral energy agreement, but refused to give any specifics or a firm deadline for the discussions. Though appreciative of knowing the U.S. position, Popovic argued that Serbia had few options at its disposal for meeting its energy needs, but his reticence implies that Serbia is playing its cards close to the chest, and ultimately, political concerns, not economic sense, will clinch any deal. End Summary.

Serbia and Russia in Talks  
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¶2. (SBU) Energy Minister Popovic told the Charge on January 4 that Russia had given Serbia a draft bilateral agreement for its consideration, but he refused to divulge any details of what he called a "confidential document." Popovic provided no specifics to the Charge's questions about whether the draft agreement would bundle the sale of Serbia's energy company, NIS, with future Russian commitments for a Serbian transit route for the South Stream gas pipeline, or to build a gas storage facility at Banatski Dvor. He said one should not believe all that is reported in the press, although he had publicly made such comments (reftel). Popovic said the GOS was "carefully considering" the draft, while emphasizing that Serbia would "try to negotiate with Russia to get the best possible deal." Popovic acknowledged, however, that Serbia's political relations with Russia were better than their economic relations.

No Deadline for Talks, but Soon  
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¶3. (SBU) Popovic said that there was no due date by which to finalize the agreement, denying press reports that the agreement was to be finalized by January 18, (when Russian President Putin will be in neighboring Bulgaria). He said he hoped to finish the agreement "as soon as possible" for what he described as a "complicated agreement." Popovic said if Russia and Serbia were able to reach a deal, it would include sufficient "guarantees" to protect Serbia's interests, and would then have to go to Parliament for approval.

Serbia Has Few Options

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¶4. (SBU) Refuting the Charge's suggestion that Serbia was limiting its options by selling its energy infrastructure to Russia, Popovic said Serbia had few other viable alternatives. He said Serbia needed to increase its energy supply and pipeline network, but said Serbia did not have the political power to influence decisions regarding the ultimate route of a South Stream or a future Nabucco pipeline. Popovic said NIS needed to be privatized and complained that the Ministry of the Economy, led by Mladjan Dinkic, had not yet put out a tender to do so. Thus, he said he was left with few options to guarantee the development of Serbia's energy sector.

Comment  
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¶5. (SBU) Popovic appreciated knowing the U.S. concerns regarding Russian use of Gazprom as a political tool, but refused to divulge any specifics of a possible agreement, and even backtracked on details he had provided to the press. His assertion that Serbia was unable to influence any decisions on potential pipeline routes or projects was disingenuous and an attempt to absolve Serbia of any responsibility for any decisions based solely on short term political calculations, such as continued Russian support on Kosovo. As he has in the past, Popovic is playing his cards tight; leading post believe that a deal with Russia may be close at hand. End  
Comment.

BRUSH